

Message Text

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16

ACTION EUR-25

INFO OCT-01 ADP-00 SSO-00 FBO-01 COME-00 EB-11 ABF-01

TRSE-00 OMB-01 L-03 CIAE-00 INR-10 NSAE-00 RSC-01 M-03

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O 120710Z JUL 73

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 0297

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E.O. 11652: N/A

TAGS: AFSP, ETRD, ABLD, UR

SUBJECT: NEW COMMERCIAL PROPERTY

REF: (A) MOSCOW 7372; (B) MOSCOW 5137, 6484

SUMMARY. UPDK DIRECTOR AMBASSADOR IVANOV INFORMED ME JULY 11 THAT UPDK CANNOT IN FACT MAKE PROPERTY AT SMOLENSKAYA SQUARE AVAILABLE FOR USE BY US AS COMMERCIAL OFFICE. IVANOV OFFERED IN EXCHANGE PROPERTY AT 15 CHAIKOVSKIJ STREET. EMBASSY REGARDS EXCHANGE AS FAVORABLE GIVEN IDEAL LOCATION, MORE SUITABLE SIZE OF LATTER. END SUMMARY.

1. IN MEETING EVENING OF JULY 11 IVANOV INFORMED ME THAT UPDK MUST RENEGE ON THE LEASE SIGNED WITH THE EMBASSY ON SMOLENSKAYA SQUARE PROPERTY (REF A). FURTHER STUDY HAD SHOWN, HE EXPLAINED, THAT HEATING SYSTEM FOR THE BUILDING HAD BEEN CONNECTED TO SAME CENTRAL CITY SYSTEM LINES AS HAD OLD BUILDINGS FORMERLY ON THE SITE. THE SYSTEM, AS A RESULT, ENTIRELY INADEQUATE FOR MOSCOW'S SEVERE WINTERS AND UPDK CANNOT MAKE BUILDING AVAILABLE TO US.

2. IVANOV EXCUSED UPDK INABILITY TO HONOR LEASE AS A LIMITED OFFICIAL USE

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RESULT OF ITS ATTEMPT TO FIND SUITABLE PROPERTY UNDER

SEVERE TIME PRESSURE ON EVE OF BREZHNEV VISIT TO U.S. HE POINTEDLY REMINDED ME, HOWEVER, THAT U.S. SIDE HAD TAKEN A FULL MONTH TO REPLY TO SOVIET OFFER OF PROPERTY ON VADKOVSKIY PEREULOK (REF B), A DELAY WHICH INCREASED TIME PRESSURE ON UPDK.

3. IVANOV EXPLAINED AT LENGTH UPDK EFFORTS TO FIND WAY OUT OF DILEMMA IN WHICH IT FOUND ITSELF AS A RESULT OF ITS FINDINGS ON SMOLENSKAYA HEATING INADEQUACIES. HE STATED THAT CONCLUSION WAS REACHED THAT ONLY ADEQUATE SOLUTION WOULD BE TO OFFER US THE PROPERTY WE "HAD FIRST ASKED FOR," THE ARTWORK SALESROOM AT 15 CHAIKOVSKIY STREET. (FYI: NOT ENTIRELY ACCURATE. EMBASSY HAD FIRST REQUESTED PROPERTY IMMEDIATELY TO SOUTH OF CHANCERY ON DEVYATINSKIY STREET.) EVICTION OF THE PRESENT TENANTS WAS MADE UNUSUALLY DIFFICULT, HOWEVER, BY FACT BUILDING WAS A COOPERATIVE OWNED BY UNION OF ARTISITS. THROUGH ASSISTANCE OF MOSOVIET (WHOSE REPRESENTATIVE KAZYANOV SAT IN ON MEETING), THIS HAD FINALLY BEEN MADE POSSIBLE, AND UPDK COULD NOW OFFER US THIS BUILDING FOR IMMEDIATE OCCUPANCY.

4. I DID NOT QUESTION IVANOV'S REASONS FOR RENEGING ON SMOLENSKAYA LEASE, THOUGH I DOUBT THAT HEATING INADEQUACIES ARE IN FACT THE FULL EXPLANATION. I EXPRESSED READINESS TO CONVEY IVANOV'S PRESENTATION TO THE DEPARTMENT FOR DECISION. FOLLOWING MEETING IN UPDK, IVANOV AND SEVERAL OF HIS LIEUTENANTS ACCOMPANIED ME AND THE ADMINISTRATIVE OFFICER TO THE CHAIKOVSKIY PROPERTY TO INSPECT THE PROPERTY. MEETING, WHICH BEGAN IN A RATHER SOMBER ATMOSPHERE, ENDED WITH SOVIET PARTICIPANTS IN A JOVIAL MOOD, OBVIOUSLY RELIEVED THAT I HAD NOT REJECTED THEIR PROPOSITION OUTRIGHT AND HAD IN FACT SHOWN MYSELF TO BE SOMEWHAT PLEASED WITH THE NEW TURN OF EVENTS.

5. COMMENT: I DO REGARD THE EXCHANGE PROPOSED BY IVANOV AS A FAVORABLE ONE. THE SMOLENSKAYA PROPERTY, THOUGH ADVANTAGEOUS IN SOME RESPECTS, WAS SOMEWHAT LARGER THAN WE ACTUALLY NEED. THE CHAIKOVSKIY PROPERTY IS LIMITED OFFICIAL USE

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ONLY HALF A BLOCK FROM THE CHANCERY, MORE SUITABLE IN SIZE (475 SQUARE METERS), HAS SMALL PARK-LIKE AREA OF GREENRY IN FRONT WHICH CAN BE PLEASANTLY LANDSCAPED WITH LITTLE EFFORT, AND SEEMS TO HAVE BETTER QUALITY FINISHING WORK THAN SMOLENSKAYA SQUARE. IT HAS MORE THAN ADEQUATE DISPLAY WINDOW AREA (16 PANELS AT APPROXIMATELY 80-90 SQUARE FEET A PANEL). IVANOV STATED THAT THE RENTAL COST WOULD BE R. 27.50 PER

SQUARE METER, A BIT HIGHER THAN R. 26.67 WE WERE
TO PAY FOR SMOLENSKAYA.

6. ACTION REQUESTED: REQUEST THAT THE DEPARTMENT
AUTHORIZE ME TO PURSUE IVANOV'S OFFER AND ATTEMPT TO
NEGOTIATE NEW LEASE, AS WAS FORESEEN FOR SMOLENSKAYA; THREE-
YEAR LEASE WITH RENEWAL CLAUSE FOR ADDITIONAL THREE
YEARS WITH GUARANTEE OF NO CHANGE IN RENT; AND RENTAL
PAYMENTS TO INCLUDE COST OF HEATING, AS WAS FORSEEN
FOR SMOLENSKAYA. THOUGH RENT WAS TO BEGIN ON JULY 1
FOR SMOLENSKAYA, WE HAVE NOT RECEIVED ANY NOTICE OF
PAYMENT DUE AND HAVE MADE NO EXPENDITURES IN CONNECTION
WITH THAT PROPERTY.
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